

Received
F2/EG DIV

MAY 20 1963

Employer Identification Number: [REDACTED]
Form: [REDACTED]
Tax year: Cincinnati

Dear Applicant:

This is a final adverse ruling as to your exempt status under section 501(c)(3) of the Internal Revenue Code.

This ruling is made for the following reason(s): You are not organized exclusively for exempt purposes as required by section 501(c)(3). You have failed to establish that you are operated exclusively for exempt purposes as required by section 501(c)(3). You are operated in furtherance of a substantial, nonexempt private purpose.

Contributions to your organization are not deductible under this section 170.

You are required to file federal income tax returns on the above form. Based on the financial information you furnished, it appears that returns should be filed for the tax years shown above. You should file these returns with your key District Director for exempt organization matters within 30 days from the date of this letter, unless a request for an extension of time is granted. Returns for later tax years should be filed with the appropriate service center as indicated on the instruction for those returns.

If you decide to contest this ruling under the declaratory judgment provisions of section 7421 of the Code, you must initiate a suit in the United States Tax Court, the United States District Court, or the District Court of the District of Columbia before the time specified in the notice of deficiency was mailed to you. However, the client is not required to pay the fees for instituting suits for declaratory judgment. Furthermore, the tax returns or assessment of any taxes due will not be subject to a declaratory judgment suit has been filed under Code section 7.

[REDACTED] [REDACTED] [REDACTED]

In accordance with section 5104(c) of the Code, the appropriate State officials will be notified of this action.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown above.

Sincerely yours,

[REDACTED]

[REDACTED]
Chief, Exempt Organizations
Conference and Review Branch

cc: [REDACTED]

cc: [REDACTED]

cc: [REDACTED]

cc: [REDACTED]

"This ruling is applicable to the taxpayer named herein. It must not be relied on, used, or cited as a precedent by Internal Revenue Service personnel in the disposition of other cases."

Therefore, I desire that said committee, all through proper facilities and processing, shall make small loans of from [REDACTED] Dollars (\$ [REDACTED]) to a maximum of [REDACTED] Hundred Dollars ([REDACTED]) to Attorneys of [REDACTED] County, [REDACTED] who find themselves in financial embarrassment, and whose character and qualifications, are meritorious and deserving, all after proper scrutiny and investigation.

Said loans are to bear an interest at the rate of [REDACTED] percent per annum, and I desire this fund to be self-perpetuating and I give broad discretionary powers to its Trustees, all under the 'Cy Pres Doctrine.'

The machinery and technique of the above Trust (and Modus Operandi) to be under the supervision and control of the [REDACTED] Bar Association, through its proper committees and officers."

The [REDACTED] courts have applied the equitable doctrine of deviation to increase the minimum and maximum amount of loans should be increased to \$ [REDACTED] to \$ [REDACTED], respectively. Initially you were funded by a contribution from the probate estate of [REDACTED] in the amount of \$ [REDACTED].

You indicated that the loan program is currently in effect and is operated as follows: you advertise the services of the Trust in the [REDACTED] Bar Brief, a local publication, and requests qualifying individuals to submit a loan application form to the [REDACTED] Trust Advisory Committee of the [REDACTED] Bar Association. Upon receipt of a loan application, the Committee reviews the applicant's financial needs and moral character, and makes an advisory recommendation to your Trustee on whether the applicant should receive a loan. The Trustee, upon consideration of the loan application and the Committee's advisory recommendation then determines whether or not a loan will be made to the applicant. To date, [REDACTED] individuals have applied for and received loans of [REDACTED] from you.

Section 501(c)(4) of the Code, as provided in section 501(a), describes as exempt from federal income tax organizations not organized for profit, but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A "social welfare" organization will qualify for exemption as a charitable organization if it falls

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within the definition of "charitable" set forth in section 1.501(c)(3)-1(d)(2) and is not an "action" organization as set forth in section 1.501(c)(3)-1(c)(3).

Rev. Rul. 78-86, 1978-1 C.B. 151, provides that an organization formed by merchants to establish and operate a public off-street parking facility that provides free or reduced-rate parking for the merchants' customers through a validation stamp system does not qualify for exemption as either a charitable corporation as described under section 501(c)(3) of the Code nor as a social welfare organization described under section 501(c)(4), because it serves the merchants' private interests by encouraging the public to patronize their stores.

The determination of whether an organization qualifies for exemption from federal income tax under section 501(c)(4) of the Code is a factual question. The organization must be primarily engaged in promoting the common good and welfare of the community in which it operates, rather than primarily engaged in serving private economic interests. In order to qualify under section 501(c)(4), no excessive private benefit can be conferred.

Although your activities will benefit the community incidentally through enabling young lawyers to become self-sufficient, thus offering their legal services to the community, your primary function is to serve the private interests of those qualifying young lawyers who practice law in [redacted] County. Your benefits are restricted to a closed-member group rather than being made available to a cross-section of the community.

Further, a fund created for the purpose of making small loans to young or indigent lawyers, under the age of 35, for the purpose of establishing or aiding them in the practice of the legal profession, or in aiding them during financially embarrassing periods of their practice, is not itself an exempt charitable purpose as defined in section 1.501(c)(3)-1(d)(2) of the regulations, and does not otherwise serve the social welfare as set forth in section 1.501(c)(4)-1(a)(2)(i). Such an activity provides no discernible public benefit to the community at large and no charitable class is served. Instead, the benefit is directed, in effect, to individuals who are entering the legal profession, similar to the organization described in Rev. Rul. 78-86, which, although provided the public somewhat with the benefit derived from the construction and operation of the parking lot, primarily served the private interests of the merchants.

Accordingly, we have concluded that you are not exempt from federal income tax under section 501(c)(4) of the Code. Therefore, you are required to file federal income tax returns.

You have a right to protest this ruling, if you believe that it is incorrect. To protest, you should submit a statement of your view with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director, Cincinnati, Ohio. Thereafter, if you have any questions about your federal income tax status, including questions concerning reporting requirements, please contact your key District Director.

When submitting additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following address on the envelope: [REDACTED];
[REDACTED]

Sincerely yours,

[REDACTED]
[REDACTED]
Chief, Exempt Organizations
Rulings Branch I

cc: [REDACTED]
cc: [REDACTED]